Social Credit Explained

A TEXT BOOK FOR SOCIAL CREDIT AS APPLIED TO THE PROVINCE OF SASKATCHEWAN AND THE OTHER PROVINCES OF CANADA

WRITTEN BY

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RSED BY PROMINENT SOCIAL CREDITORS

5 CENTS FIRST EDITION

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A simple but concise treatise on the principles of Social Credit embodying the basic principles as outlined by outstanding Social Creditors and put up in a form similar to a school text book that will be easily read and understood. Appropriate questions based on the context are placed at the end of each lesson

Authorized by the Social Credit League of Saskatoon

Endorsed by Prominent Social Creditors

FIRST EDITION

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PREFACE

In writing and compiling a text for the economics of Social Credit, simplicity should be the watchword. The subject is such a new departure from old economic thought and theories, that naturally the language and the terms are new and unfamiliar. One lesson is entirely devoted to an explanation and exposition of terms alone. When we study a new language we must have a few old pegs to hang our ideas on; similarly I have devoted the first four lessons to the present way of doing business. One lesson is entirely devoted to Banks and Banking (a subject unfortunately very little known to the layman) and which if more widely understood, would lead to some correction in its abuses Naturally, in a text of this kind, where space is limited, only a few elementary ideas and precepts can be outlined but sufficient information is condensed to convey to the average student a general idea of the workings of the present system and the foundation principles of Social Credit.

In the chapter on the Social Credit concept, credit is dealt with again from the new angle, built on the old, and the transition is being made. This is followed by a lesson on the famous A plus B theorem first enunciated by Douglas and shows the utter futility of the present system ever trying to succeed because of the lack of purchasing power.

The big question in the minds of the average layman is, where is the money (credit) coming from to finance this gigantic undertaking? It is simple as A, B, C, and will be understood by the more thoughtful as being the only practical solution of eliminating present evils for all time. As the lesson points out it will not mean inflation, or deflation, but sound, sane and certain business.

A chapter has been included on the B. N. A. Act as the belief is commonly held that any province could not go ahead and institute Social Credit without amending the Act. Indeed the provinces should take it up first before the Dominion does. As the lesson points out, non-negotiable certificates are only a transfer of credit—not a medium of exchange.

In conclusion let us say this is an economic question only, and to the minds of the thoughtful Christians who are looking forward to the Golden Rule Age, to the time when "Thy will shall be done on Earth as it is done in Heaven," Social Credit is the answer. It is right, it is just and it is Christian.

M. J. Haver, B.A.

Lesson 1
PRODUCTION

INTRODUCTION

Wherever food supplies are sufficiently abundant, human beings are found living in groups or societies. On this account human beings are sometimes called social animals. Many books have been written on what is called Social Science. For convenience we could classify them in several departments such as Ethics, which is the study of man's moral conduct; Politics, which deals with the ways people are governed; and Economics, which is the study of the methods by which people try to satisfy what may be called their material wants—that is, their need for such things as food, clothing and shelter.

As a pure science, Economics studies things as they are, but a knowledge of things as they are enables us to suggest improvements. Before we can therefore suggest improvements it will be necessary to understand some of our present methods of doing business.

1. Production.

A hungry man washed ashore on an uninhabited island may find fruits to eat. These fruits are free goods; but before he gets much satisfaction from the goods, he must search for and gather them. In order to satisfy his wants he must make efforts, and these efforts give the fruits greater utility or power of satisfying his wants. Such efforts are called labor, and the process of adding utility to materials supplied by nature is known as **Production.** The contrary process of enjoying such utilities is called **Consumption,** and this is the purpose of all production.

2. Agents of Production.

Labor does not create things, it only adds utility to things supplied by nature. All things supplied by nature are called land. Therefore **Land** and **Labor** are the primary agents of production. Let us study the man on the island. He will tire of fruit and will probably want some fish. Before he can satisfy this want he must have say, a hook and line. The labor he employs in getting materials to make this hook and line does not satisfy his hunger. He can not afford the time to make fishing tackle unless he stores up enough fruit to satisfy

his hunger while he is making it. This store of fruit which he has saved up is called **Capital.** His hook and line now are also capital. He intends to use this capital in the production of fish—that is, in bringing the fish into a place where they can satisfy his wants. Capital is therefore wealth used in the production of further wealth. It is thus a third agent of production. In my illustration one man has provided the labor and the capital and gains free access to the raw materials, land. But in the complicated business of the World today we have three sets of people. Some own the land, some supply the labor, and others provide the capital in the form of money, tools, factories and machinery. Before any production can take place some one brings the three agents, land, labor and capital, together and we have **Organization or Enterprise or Business Ability.**

3. Organization of Industry.

Now the Division of Labor has been so pushed that the connections between the different branches of industries are very complex. We may regard industry as being composed of five main divisions. These broad divisions are—

(a) Extractive industries—mining, quarrying, lumbering, fishing and agriculture.

(b) Manufacturing industries—which work up things supplied by the extractive industries.

(c) Transport industries—such as the working of railways, canals and shipping.

(d) Distributive industries—the working of wholesale and retail stores and markets.

(e) Personal services of many kinds, e.g., doctors, teachers civil servants, etc.

The transport industries collect the ceaseless stream of materials poured out by the extractive industries and feed these materials to the manufacturing industries. As fast as the raw materials are fashioned in these industries, they are transported to the distributivve industries. The goods, when they reach the distributive industries may be called **Consumer's Wealth.** The raw materials may be called **Producers Wealth.**

4. Now we may regard production as a series of applications of labor (doses of labor) to materials supplied by nature. Each application or dose adds some utility until the materials are suited to supply our wants, i.e. until they become **Consumer's Wealth.** Under this system of production a considerable time may elapse before the raw materials are transferred into the finished article. But in order to carry on the different processes in the production of a commodity we must have different stores of wealth or capital. This capital will be used up and goes into the cost of the commodity.

5. Now it is common knowledge that all our efforts have been directed towards Production. We can produce to no end. Our inventive genius has devised new machines that displace the labor of fifty, one hundred or two hundred men. Goods are being made in vast quantities but the machines can not buy back the goods made. The Consumer's Wealth is piling up on our shelves and we are not able to purchase it through some fault of our exchange system. Production has been solved and we can now produce every conceivable article suitable for our present needs, but we have not been able to solve distribution! To be able to consume the good goods that God rightfully intended to be ours is our problem which we hope to solve in subsequent lessons.

Questions for Discussion

1. Why is man sometimes called a social animal?
2. (a) Into what three divisions would you divide the Social Sciences?
   (b) What is Economics?
3. What do we mean by Production? By Consumption?
4. What are the agents of Production? Explain.
5. What are the five different branches of industry?
6. How do they operate? Why is it necessary to have capital to carry out the processing of an article?
7. What is our main trouble today? ,
8. What would a thorough study of economics do for us? Ans. Second Paragraph in introduction.
9. Criticize the statement—"Production has been solved."

Lesson 2

BANKING AND THE BANK ACT

1. To Incorporate a Bank.

(a) Any five responsible men, known as provisional directors, who are able to satisfy the Parliamentary Committee on Banking and Commerce that their project is a genuine one, and that they are fully aware of the responsibilities they are undertaking, can organize a Bank. If the Committee reports favourably, letters of corporation are granted, and, after ten days' public notice, the provisional directors may advertise for public subscriptions and cause stock books to be opened. No Bank can be incorporated with a capital less than $500,000 divided into shares of the par value of $100. each.

(b) **Banks issue notes** payable to bearer on demand and intended for circulation to the amount of its unimpaired paid up capital. All notes are fives or multiples of five. During the crop seasons additional notes, not exceeding 15% of the paid up capital and reserve fund, are issued over and above this for which the Bank pays 5% per annum, the interest to be calculated on the amount in circulation for each day during the month.

(c) **Central Gold Reserves Issue.** In addition, an increase of cirulation can be made any time by depositing current gold or Dominion notes in the Central Gold Reserve. These reserves are under the control of four trustees, three appointed by the Canadian Bankers' Association and one by the Minister of Finance.

(d) **Bank Circulation Redemption Fund.** Each Bank must maintain with the Minister of Finance a deposit equal to at least 5% of the average amount of its notes in circulation during the year. Interest at 3% is allowed by the Government on the Fund.

(e) The banks pay a tax of 1% to the government in return for the privilege of issuing their own currency. Aside from the profits the banks make on destroyed or lost bills, the banks are in a favored position by Canadian Law "to eat their cake and yet have have it." In other

words a bank could spend all its money on premises and working equipment, and then issue it own "working capital" at 1%. No other industry in Canada enjoys this privilege. It really amounts to a forced loan free of interest from the Canadian people to the Banking System. When we figure the paid up capital plus the Reserve Fund, it totals about $306,500,000 and allowing a conservative rate of 4% (the average rate the government pays) it means a profit of $12,260,000. Allowing 1% for tax, we have the banks bonused by $9,195,000 a year or a little over 6.3% on their paid up capital of $144,500,000!

2. Function of Banks.

(a) Engage in carrying on business as a dealer in gold, and silver coin and bullion.

(b) Deal in, discount and lend money and make advances upon the security of, and take as collateral security for any loan made by it, bills of exchange, promissory notes and other negotiable securities, or the stock, bonds, debentures and obligations of municipal and other corporations.

(c) Engage in, and carry on such other business generally as appertains to banking, such as receiving deposits, selling drafts, bills of exchange, etc.

(d) Pay interest on deposits. It is left to the discretion of the Banks what they will pay, at present it is 1½%.

3. Banks make loans.

That is their principal reason for being in business. They not only loan on so called deposits but they loan on credit. By the cheque system, which is universally used between individuals and businesses, a bank might make a loan of any amount and not draw a dollar out of the bank into circulation, cheques being ussued against the loan. All the time the bank would be receiving an interest rate of 7% or so on the credit of the Commuity. At least 96% of the business of the country is carried on by means of the checking system.

4. Banks expand Canadian Currency.

In 1932 the Federal Government at Ottawa required $35,000,000 and proposed a sale of two-year Treasury Bonds

bearing interest at 4%. These bonds were offered to the chartered banks, a syndicate of which agreed to purchase them. This they did by the mere expedient of increasing the government deposit account by $35,000,000. You will note that no money was transferred! Nice way to buy bonds and how profitable!

Within two weeks from the time the bonds were "bought" by the banks, application was made by the banks themselves for a currency loan under provision of the Finance Act. The Government produced the new legal tender as requested and charged the bankers 2½% for the accommodation. The collateral put up by the bankers, as required, was the $35,000,000 two-year Treasury Bonds which the government themselves had borrowed two weeks previously! The circulation was thus increased $70,000,000. Half in cheque money by the government drawing on its own deposit account and the other half by positive expansion of legal tender currency. And yet we are told that money is tied to gold.

5. The Present Problem of Credit.

(a) Banks inflate or deflate credit at will by allowing or withdrawing loans.

  (i) Prices of goods and services rise and fall in accordance with the relation between the amount of goods and services on the market and the available purchasing power.

  (ii) If the purchasing power is in excess, the price will rise to meet this excess. If the purchasing power is drained off in any way, the price will fall accordingly, unless it is maintained by monopoly, manipution or combine.

(b) When a producer or merchant gets a loan from the Bank, a few figures are merely placed on the credit side of his account. On this credit balance he draws to purchase the goods or services he needs.

Loans or overdrafts of this kind produce an inflation of purchasing power. When they are repaid, there is of necessity a corresponding deflation.

Thus banks can, by granting loans freely, increase prices, or that is, decrease the purchasing power of credit.

They can also, by foreclosures and pressure of collections, not only withdraw purchasing power but cause forced sales at a greatly reduced price.

(c) Again the banks charge **interest**---there is no increase in money to pay this interest. It resolves itself into the bank's claim on a portion of the goods produced. The consumer will have to pay that additional amount for his goods.

As time goes on the bank will recover the whole amount of the loan in interest and the consumer will be made to pay the loan besides, once, twice or even ten times.

(d) By this process the Financial concerns are gradually getting the full control of all lands, industries and property.

Questions for Discussion

1. How would you go about to incorporate a Bank?
2. What provision is made for note issue in Canadian Banks?
3. (a) What is meant by the Central Gold Reserves Issue?
   (b) Why is it an advantage? (No interest need be paid on bank notes.)
4. What is the Bank Circulation Redemption Fund?
5. Are Banks required to keep their notes circulating at par? (Yes).
6. What are the functions of the Banks?
7. What is the chief purpose of banking?
8. How do the Banks capitalize on credit?
9. (a) Explain how Banks can inflate or deflate purchasing power.
   (b) What is the effect of each?
10. (a) When a Bank gives a loan, does it create new money? Explain.
    (b) In what way does this monopoly of credit give finance control of prices of goods and services?
11. (a) How is it possible for one who borrows money to pay interest?
    (b) From whom must this interest ultimately come? Explain.
    (c) What is the final result of interest?
12. If loans could be made by the State without charging interest, who would receive the benefit?

13. In whose hands should the balancing of purchasing power with available goods and services rest? Why?

Lesson 3

FURTHER DISCUSSION ON MONEY, BANKING AND FALLACIES OF THE PRESENT SYSTEM

1. The Unit of Money.

At the outset money should be distinguished from wealth Money is just a medium of exchange whereas wealth is represented in goods, services, property, natural resources, etc. Gold was chosen as a standard for money because of its Utility, Portability, Durability, and Cognizibility.

2. Gold Standard.

(a) When a nation is on the Gold Standard the price is arbitrarily fixed at so much per grain. It used to be at the rate of 23.22 grains per $1.00. The price would then be $20.67 per ounce. Now it fluctuates around 13.62 grains to the $1.00 or $35.00 per ounce. Paper notes (representative money) are substituted for gold because of convenience and lightness.

(b) When money becomes scarce it becomes more valuable, when plentiful, less valuable. The yardstick in cloth never varies. The dollar is the yardstick, the same as the ton, the yard, the pound, etc.

(c) The Gold Standard is a myth. Sir Reginald McKenna, an outstanding banker derided the standard as "a superstitious belief in the virtues of a useless metal." Another banker makes the statement "It is their only defense against 'political interference' with their present Monopoly of Credit."

It is very convenient to give the bankers a standard that they can use to inflate and deflate the currency to any extent they choose in the name of **sound finance.**

3. True Standard of Value.

Neither of the monetary diseases, inflation nor deflation, is a cure for the ohter. Both are disastrous morally, socially and economically. The dominant need of the world is not "abundant money," not "easy money," not a more elastic

supply of money but a medium that is a true standard of value. In an industrial order founded on private property, division of labor, and competition with its interests framed on the monetary system, there is no economic phenomenon so far reaching in its consequents as unstable money. A shifting price level is sure to be accompanied by alternate periods of business elation and gloom with the familiar trend of extravagance, injustice, excessive speculation, profiteering, tight money, business failures, unemployment and hard times.

4. Shortage of Purchasing Power.

Under the present system whether we go back to normal times or not there must always be a shortage of purchasing power. We shall discover in Lesson 6 that the total amount of money required to purchase the products of industry is never distributed to the consumer at the time when the goods are produced. Hence there must always be an unpurchaseable surplus. Some of this surplus may be disposed of by export trade if there is a foreign market, or by war, or by other forms of palliative; but ultimately, under the present financial system, the deficiency in purchasing power can be supplied only by banks by the issue of credit. Naturally the banks cannot issue this new credit to the consumer who is the one who needs it. The only way the banks can act is by stimulating new production and issuing loans to finance it. The consumer works on the new production and gets money to buy the previously accumulated surplus, but in the process the new surplus is made all the larger. Therefore still further production must be financed and the silly circle repeated until the time comes when bank credit can be no further expanded and the inevitable crash results.

5. Monopoly of Credit.

(a) Under the present system the new money created by the banks and issued by them as credit is considered to be the property of the banks which must be repaid to them with interest. In order that it may be repaid, it is charged into the price of consumers' goods. Here is where the error lies. The banks do not lend their own money. Neither do they lend other people's money, as is commonly supposed. They simply have a monopol-

istic license to create new money on the credit of the community. e.g. If a municipality wishes to borrow $100,000 from any bank, after the necessary authority is given by council, the bank opens up an account. The bank shows a deposit of $100,000 to pay salaries, etc. Where does it come from? It is purely a book entry, and is the credit of the community.

(b) Indeed such was brought out in the House of Commons on June 2nd 1936 by Mr. McGeer, who stated that the Chartered Banks had created deposits by loaning money to such an extent that there was many times more on deposit than all the currency in the country put together. Bankers claimed to have on deposit about $2,000,000,000, but all the money in Canada was only $294,000,000 at the time.

6. How Banks Create Money.

In the Encyclopaedia Brittanica we have the following: "Suppose for example in a given week, the government requires £10,000,000 over and above receipts from taxes and loans from the public. They apply for an advance from the Bank of England, which by a book entry places the amount required to the credit of **Public Deposit.** The amount is then paid out to government creditors, and passes when the checks are cleared to the credit of their bankers in the books of the Bank of England— The effect of the whole transaction being to increase by £10,000,000 the purchasing power in the hands of the public in the form of deposits in the joint stock banks and the banker's cash at the Bank of England by the same amount."

Now it is obvious that the bank took nothing from its assets by creating this £10 million of new money, yet it created a debt which the people of England had to pay in taxes. In other words it transferred £10 millions of people's goods to the financial system. It will be noted that nothing was credited to the community in the transaction.

Again, let us imagine a new bank to be started—its so-called capital is immaterial. Ten depositors each deposit $1000 in cash with the bank. The bank's liabilities are now $10,000. These depositors do their business among themselves

on the cheque currency system, as they find it more convenient than drawing the money out.

After awhile the banker notes that only about 4% of the business is done by cash.

It might happen that one of the depositors who is a manufacturer receives a large order for his product. Before he can deliver he has to pay out wages, salaries, etc., and he hasn't enough money at his command. He consults his banker, who having in mind the situation outlined above, agrees to allow him not only to draw his account of $1000 but an overdraft of $1000 as well. The borrower agrees to repay in three months at 8% interest.

The overdraft of $1000 is a credit to the account of the depositor who borrowed. The banker's liabilities to the public are now $11.000. None of the depositors withdraw their credits---the money must still be there. It is therefore correct to say that $1000 has been created by the **stroke of a bankers pen.**

7. Banks in Favoured Position.

(a) It doesn't require much stretch of the imagination to see the huge profits that are going into the pockets of the money barons. By this monopoly of the control of credit one bank in 1934 (at the pit of the depression) made a profit of 12% on a capital investment of $144,000,000, placed an equal amount in its reserve fund and paid a dividend of 8% to its shareholders!
In addition, this monopoly of credit places the banks superior to the government itself, which can only function by borrowing money from the banks!

(b) You see therefore the necessity of a change in the system. We must look at the economic situation from a new angle. In theory, Social Credit regards the resources of the community and any money created by virtue thereof, as being in reality not a debt but an asset. In practice, it would transfer the control of the community's credit from the banks to the community itself---largely in order that the credit may be issued directly to the consumer.

(c) This would not mean doing away with the banks. They would only be reduced to the mechanical administra-

tion of credit under the directions of the community and to other functions of accountancy and safe keeping, all for a service charge.

Questions for Discussion

1. (a) What is our medium of exchange?
   (b) What do we mean by barter? (Exchange of goods for goods).
2. Why was gold chosen instead of salt, cattle, etc.?
3. What do we mean by gold standard? How is it obtained? Is it constant? What does it lead to?
4. What is the fallacy of the present system?
5. How do surpluses come about? What is the bank's method of dealing with the situation?
6. Where does the error lie? How do Banks create money?
7. What would Social Credit do?
8. Would our banks have to close down under Social Credit?

Lesson 4
EXCHANGE, DOMESTIC and FOREIGN

INTRODUCTION

Before we pass on to a detailed study of Social Credit, it will be necessary to outline a few prinpicles on Exchange, Trade, etc. We have already referred to money in Lesson 3 as a medium of exchange.

1. Price.

In places where barter is employed a good deal of time is taken up in bargaining before any exchange takes place. In Eastern lands today, even when money is used, the price is often arrived at by bargaining. The seller asks much more than he hopes to get, and the buyer offers much less than he is really prepared to give. After much bargaining they probably agree on, a sum somewhere near the middle and the exchange takes place. In some parts of the civilized world we adopt a kind of a fixed price on certain articles, and people patronize stores which have the quality and the price which suits their pocketbook. Much time is saved in this way, but comparatively few people inquire into the circumstances which

guide the storekeepers in fixing their prices. The complete statement on all the circumstances bearing on the fixing of prices is known as the **Theory of Value,** and is one of the most complicated parts of economics and would require a volume to explain. Briefly, in most lines of business, producers may agree amongst themselves to sell at a certain price, or merchants in a district may act in combination to fix price---but, as a rule, merchants' prices in one district are different from prices in another and there is no combination. Now combination on a small scale as a rule does not affect price. We may think of all producers as rivals competing for customers and all customers as rivals competing for good bargains. Theoretically, price is determined by the relation of the **Supply to the Demand.** In actual practice, as in the case of certain Producer's Wealth, it is not the case.

2. Foreign Trade.

Business men try as far as possible to engage in those businesses which give them the biggest profits. They not only sell for internal trade, but for export as well. There are certain goods that can be produced more economically. Now different industries flourish in different countries that have a climate suited for that particular purpose, such as wheat in Canada and cotton in the States. Other industries flourish by nearness to iron and coal like the iron works in Pennsylvania, etc. Now this geographical division of labor is the basis of the most permanent foreign trade. A merchant in Canada buys oranges from a merchant in California who can sell him that particular kind of orange at a price including expense of transport to Canada, which is less than that asked by another merchant known to the Canadian buyer.

Though a country may not be specially suited for a particular industry, the government of the country may wish to have the industry developed, and by making a grant of money (subsidy) to those engaged in the industry by paying a bounty on any products of the industry exported, and by levying heavy custom duties on imported goods of the same kind, the government may neutralize a foreign advantage in that industry and enable its own people to compete successfully with foreign industries of the same kind.

3. The Method by which we Pay for Goods Shipped to Us from a Distance.

(a) In very few cases is actual money sent. Actual money would not be acceptable in a foreign country.

(b) You settle for goods received by paying your government at the Post Office or by paying the Bank or Express Company. In return they give a slip or order or draft which you send to your creditor and he presents it to his government, Bank or Express Company for payment. That is, you both transfer the account to your government or Bank to settle between them.

(c) The total held by one government against the other when balanced off with the opposite account, constitutes the **Balance of Trade.** The country which imports more than she exports calls hers the Unfavourable Balance. The other country that has exported more goods than she has imported calls it a Favourable Balance.

4. The Balance of Trade Process.

(a) When we export goods, we or rather our country will never receive a settlement for them until we import goods either directly or indirectly, e. g. If Canada exports wheat to Great Britain she will never receive any settlement until she imports British goods directly or she might indirectly import goods from France or the United States, to whom Britain sends some of her goods.

(b) When we import goods we, or rather our country to whom we transfer the account, will never settle for these goods until we export some of our goods either directly or indirectly, to the same country.

(c) It is the government's business to keep our exports and imports fairly equal over a period of time. An unfavourable Balance of Trade is supposed to have a very definite effect on exchange between countries.

(d) Gold is shipped out to balance the trade, but owing to risk of shipping gold, Credit instruments known as **bills of exchange** are used.

(e) Suppose a merchant A in Canada buys goods to the value of $1000.00 from a merchant B in the United States, and sends to the United States merchant B a

bill of exchange or an order to A's banker to pay $1000.00 at a certain date. Suppose further, a United States merchant C has bought goods to the value of $1000.00 from a Canadian merchant D. If each of these transactions is settled in gold, two consignments of gold, one from Canada to the United States and one from United States to Canada, would be sent. If, on the other hand, merchant C paid $1000.00 to merchant B in the United States for the Canadian bill of exchange, merchant C could then send the bill to the Canadian merchant D in payment of his debt. Many merchants in Canada want foreign bills to pay their debts abroad and the same is true of merchants in other countries. Consequently in most nations, bills of exchange are bought and sold like other commodities. If the demand is greater than the supply they will sell for more than their face value and be at a premium. If the supply is greater than the demand they will sell at a discount. The fluctuations of foreign exchange react to some extent on foreign trade, so that foreign trade tends to fluctuate about the equilibrium position where exports balance imports.

Questions for Discussion

1. Define Price. How is it obtained?
2. Is foreign trade profitable?
3. How are infant industries fostered?
4. (a) Explain clearly how to pay a $10.00 debt to a firm in New York.
   (b) Why not send $10.00 in a registered letter?
5. (a) What is meant by "Balance of Trade?"
   (b) When is it said to be "favourable?"
   (c) When is it said to be "unfavourable?"
6. (a) What is the only way a foreign debt can be paid?
   (b) Why could not Germany pay her War debts?
7. (a) What effect would it have if we allowed our balance of trade to become exceedingly favourable?
   (b) What would be the results if we gained an unfavourable balance of trade?
8. (a) What are bills of exchange?
   (b) How do they work?

Lesson 5
THE SOCIAL CREDIT CONCEPT

There are a great number of erroneous ideas everywhere today, first, regarding the true meaning of Social Credit, and second, regarding its workability. In the four previous lessons we have dealt with the financial system as it functions today with its periods of prosperity and depression. We shall now examine further the new concept and see the remedy.

A. THE SOCIAL CREDIT PROGRAM.

To begin with---Social Credit is concerned with the **consumer's end.** All our efforts and ideas up to now hinged on the production end. The economists say "produce more in order to earn wages, salaries, fees, commissions and profits, in order to buy back the goods that are produced." First we shall endeavor to prove in subsequent lessons that in a given period of time all monies earnt will **not** buy back the goods produced in the same period. Second we propose to show that this difference between total production and total consumption in the world (or in a country) in a given period can be equalized, and Third we will eliminate all depressions, all poverty and all wars. We do not propose to divide up the wealth of the country (our program is not Socialistic or Communistic) nor do we propose to take from the rich and give to the poor---but rather we propose to increase the standard of living for all and eliminate the so called poverty condition that exists. This will not be brought about by a gigantic system of taxation---rather taxes will be decreased to a minimum. We propose to show that unemployment is not a curse but a blessing---an evidence of our advancing civilization in being able to produce and yet eliminate the drudgery.

We must therefore look at Social Credit from the new point of view---from the Consumer's end. This Social Credit concept can be built up by comparison and contract.

B. KINDS OF CREDIT.

There are three kinds of credit—Real, Financial and Social.

The term credit itself implies confidence. It should therefore follow that where there is a reasonable chance or

certainty that goods can be paid for at a future date, credit would be advanced in ordinary business to individuals, (but it is not always done.) This is based on the assumption that the individual or corporation has the power by its own efforts, aided by nature, to make the necessary payments.

1. **Real Credit** is the credit which accrues from the capacity of the individual or corporation to deliver the goods or services as when or where required. It is embodied in the production of goods, i. e. the farmer and his grain, the lumberman and his lumber, the employed and his salary or wages. It is based on the Producer's Wealth as defined in Lesson 1. Similarly the Real Credit of the nation or community is its capacity to produce and deliver wealth to those who make effective demand for it.

2. **Financial Credit** is a credit which belongs to us because we have placed in the banks security representative of our own property, and goods against loans to be paid as when or where required. This serves just as money does, to purchase the special kind of capital the producer needs. It increases his purchasing power. This specialized capital can produce more commodities (on the producer's credit of course) than could have been done without the assistance of the so called Financial credit. In actual practice it could be termed an appraisement of our goods before they are offered for sale, i. e. Consumer's Wealth in Lesson 1. It is an instrument to set real credit in motion and converting it into actual goods and services, and getting them into the hands of the consumers for which purpose they were designed.

Real credit and Financial credit focus towards the consumer's end they both proceed from the producer. Financial credit usurps the producer's rights. Now on the other hand Social Credit goes the opposite way and comes from the consumer's end.

3. **Social Credit.**

(a) Social Credit is that credit which belongs to each individual because of his associations with other individuals in a community district or country. The man in

Lesson 1 living on the island with his fruit and fishing tackle lacks the ability to make use of his goods or services which he could make use of by his association with other people in a large city. There they would be in demand. A man may have a coal mine in some obscure place. It is valuable to him and his family for fuel only. The surrounding land may be arable and other people might flock in and homestead near-by. They come to him for coal. He now has a market which he did not create. His coal is in demand. It is now potential wealth because of the association of others. He makes huge profits because he holds a favored position in a community. Those sales could not have been possible except for **other people.** There is an unearned increment of real credit through association which is rightfully Social Credit or Consumer's Credit. Henry Ford could not sell his cars in an uninhabited island; John D. Rockefeller could not sell his petroleum in the desert. You must have people to make the purchases. If we were not here those profits could not have been made.

It will be seen that this unearned increment (not earned increase) becomes greater or smaller in ratio to the population of the country or district. (This along with Cultural Heritage will be dealt with more fully in Lesson 7.)

(b) Social Credit is not the socialization of Financial Credit. Socialization of Financial credit is merely the the government taking over the right that is now in the hands of the Financier. Social Credit is the inherent right of the Consumer citizen because of his association with other citizens. It does not belong to the government or the Financier but to the citizens themselves. We belong to a huge joint stock company, The Dominion of Canada, Incorporated, and we should receive dividends because they are rightfully ours. (This is the answer to the contention that a national dividend is a pension or donation.) In good times when you invested money in an enterprise you received a dividend—it was rightfully yours. But, in addition

to money we have invested our lives, our labours, our hopes, our all in the development of this country and it should pay us dividends.

(c) Looking at it from another angle, the machine that displaces 100 men from a factory must of necessity supply those men with Social Credit Dividends, or the human race (through lack of purchasing power) will be driven to poverty and starvation. (See the Sanity of Social Credit by Maurice Colburne.) If the government socialized finance and took advantage of that unearned increment that would not help the consumer.

You must give to the consumer a purchasing power equal to the unearned increment of Real Credit secured by association. This purchasing power in the hands of the people would immediately put things right. If he were not there to eat, the other man could not produce.

(d) Social Credit does not necessitate the use of so called money. Tickets would do. Slips of paper used to transfer credit from one individual to another. It is largely a matter of accountancy and bookkeeping.

Questions for Discussion

1. (a) What is meant by Credit in economics?
   (b) What three kinds of Credit have we?
2. (a) Define Real Credit and give an example.
   (b) In Financial Credit how does the financier usurp the producer's rights? Explain.
3. Social Credit differs from Financial Credit in its sources and the direction of its focus. Explain this.
4. Define Social Credit. Illustrate.
5. What is socialization of Financial Credit? Would it be Social Credit? Explain the difference.
6. (a) Give three reasons why Social Credit dividends should be distributed.
   (b) Would it solve the problem of the machine age?
7. Would Social Credit need the use of actual money? Where would Social Credit dividends be issued? From what source would they come?

Lesson 6

A PLUS B THEOREM OR COST ACCOUNTING

1. Two real causes of our troubles today.

In the last lesson we discovered that Real Credit is concerned with goods and services that are useful to man. Financial Credit is concerned with paper and ink, bookkeeping if you like, something that has no value in itself and would be useless unless it were backed by the Real Wealth of the country. Financial Credit is only useful in its relation to other things. e. g. Suppose because of a defective aeroplane, you were forced to land in an isolated part of the province, your chances of surviving would depend a great deal on your being able to construct some kind of a shelter and obtain food. Your welfare would be considerably improved if you found an axe or a gun in the wrecked aeroplane, but what good would it do you to look into your pocketbook and find gold pieces or paper money or even to find checks for one thousand dollars on some Canadian Bank! The only way these things would be of any value to you would be, if you could reach civilization in some manner and exchange them for something of real value to you. Therefore Financial credit issued by the banks is worthless unless the community can equate that amount with a quantity of real wealth in the form of goods. Under our present set up, the bankers are the bookkeepers for the community. But as we discovered in Lessons 2 and 3 the bankers have a monopoly in the control of credit—they deal in money as a commodity, and make it scarce or plentiful at will, in order to keep up interest rates, to make huge profits.

Owing to the privilege of making their own notes. the Canadian Banks also are in a position to expand their subscribed capital in any way they see fit—their own notes being their "working capital." This amounts to a "forced loan" on the people of Canada, and nets the Banks 6.3% dividend on their combined investment. In addition because of their policy, the volume of Financial Credit at any time bears no relationship to human requirements. (Science says we are rich and growing richer, Finance says we are poor and must economize.) Eminent authorities state "that the volume of Credit governs the volume of cash in circulation." That be-

ing the case the chartered banks are able to control and limit the very lives of the Canadian people!

The present Financial System with its exorbitant interest rates, therefore is the big half of our present troubles. The smaller half is found in our inability to appreciate the effect of **cost accounting**.

2. Two Kinds of Costs.

(a) Our total purchasing power is embodied in any of five ways, wages, salaries, commissions, fees and profits. This money is the reward of industry.

(b) Orthodox economists state that the collective public incomes will equal the aggregate of all payments made by industry for the same period of time. But if we examine the Canada Year Book for 1929 (our peak year) we find that gross production was valued at $6,846,000,000. If we allow a reduction of 10% for profits we would assume that the collective incomes were $6,161,400,000 to the people of Canada. Such was not the case. From our statistics we find that only $5,500,000,000 was paid to the people. There is therefore a deficiency of purchasing power between Production and Consumption.

(c) A factory turns out three things: goods, purchasing power to its staff in wages and salaries, and profits to its shareholders. It is ammassing a pile of costs which is represented by prices. Now a business must recover at least its costs if it is to remain solvent. All costs are charged to the price of goods.

(d) Costs would be divided into two groups. First wages and salaries and second payments for raw materials, bank interest, rent of land, insurance, depreciation of plant etc. The first make up the aggregate of national incomes and are known as A costs, the second are outside costs and are not available to the people in the organization. These are B costs. They are in reality repayment of debt. The total costs to the firm is both payments. They are therefore A plus B costs. But the amount distributed is A which is certainly less than A plus B. You can see that A is the only amount

of buying power available to buy the products of the factory, and it is certain that A cannot buy goods priced at A plus B. The flow of buying power (A) therefore must always be less than the flow of total prices (A plus B), and will be impossible to buy everything back **unless some part equal to B is distributed** by some other means.

Let us illustrate by figures. Suppose a factory payroll is \$700 per week and the costs of raw materials, interest charges and depreciation etc. are \$800. Now total costs equal \$1500. So (A) \$700+(B) \$800=, (A and B) \$1500. Now we cannot buy all the goods unless someone makes up the difference. All production has A costs and B costs. Therefore the total purchasing power (A) can not buy back (A plus B). It will be argued that there are A payments in the B payments but don't forget the time factor.

3. The Rate of Flow.

(a) Our economic system is a continuous process. There is a flow of goods and a flow of prices. The flow of prices as we have pointed out contains two costs—A costs purchasing power distributed to individuals, and B costs which are paid out after the goods are sold. Now it is essential that the rate of flow of purchasing power must be equal to the rate of flow of prices, otherwise all the goods cannot be sold or consumed.

Let us take a tank of water as an illustration. Two pipes of different diameters are attached to the tank, the large one going in and the small coming out. Now in order that the height of water remain the same in the tanks, the flow would have to be regulated in the pipes. If the flow is constant in the two pipes, there will soon be an overflow. The tank represents business in a normal state. The inflow pipe is goods coming into the market and the outflow pipe is goods consumed or purchased. Now it is obvious that if the goods are not consumed as fast as they produced, there will be an overflow like the tank, that is the case to-day where there is a congestion in stores and wharehouses, and granaries are filled to the roofs. The rate of flow out has been retarded. We must speed up the flow in the latter pipe to make business normal.

(b) Let us take the case of a factory before a product is placed on the market. It is a series process where an article undergoes a different operation in several plants. Industry is financed by Bank Loans. At each stage in the process, money is received from the sale of goods and taken to the banks and loans cancelled. This buying power then can be demonstrated at any stage of the process. Again it takes months to process an article like wheat to flour and then to bread. A and B costs are included in all the series. Therefore it is only fair to assume that rate of flow of purchasing power as compared with the price flow diminishes in proportion as the number of times it passes through various hands.

Examining this important theory from another angle, we know that the greater part of incomes must be spent on living expenses as soon as the money is received, and this money can be spent only on goods offered for sale. But this money may have been paid out in making an article that may not be ready for sale until long after the period in which the money was distributed as Buying Power. As a result, when the article finally appears, the Buying Power to pay for it has already been spent and the only amount available to purchase it is the buying power distributed in the last stage of the processing of the article. The rest of the money will have been spent and cancelled in the repayment of bank loans.

You see therefore the utter futility of the present system ever trying to succeed, because of the lack of purchasing power.

Questions for Discussion

1. (a) What are two real causes of our present day troubles?
   (b) What is wrong with our financial system?
   (c) How are the Banks to blame?
2. (a) What are the five sources of Consumer's Buying Power?
   (b) What do we mean by National Income?
3. What do we mean by A plus B Theorem?
4. How is it arrived at?
5. Explain the Rate of Flow. Illustrate.
6. (a) Why is the time factor in B costs important?
   (b) Why cannot all goods be bought with the amount of money in circulation?

Lesson 7

A GENERAL SURVEY OF SOCIAL CREDIT TERMS AND PRINCIPLES

INTRODUCTION

New terms and words are being used constantly in this textbook. Therefore in order to appreciate and understand fully the new economies of Social Credit, space and time should be devoted to a study of the meaning and application of the new vocabulary.

The Basic Premise of Social Credit.

It is the duty of the state through its government to organize and arrange its economic structure in such a way that no citizen, man, woman, or child shall be allowed to suffer for the lack of the bare necessities of life, (viz. food, clothing and shelter) in the midst of plenty and abundance.

1. **Five Main Technical Terms of Social Credit.**

   Cultural Heritage: We discovered in Lesson 1 (ideas held by economists of the old school) that all wealth arises from the co-operation of the four basic factors—land, labor, capital and business enterprise. But this overlooks the most vitally important factor, a fifth, that of communal wealth, viz. our cultural heritage. This cultural inheritance is the accumulation of knowledge of the arts and sciences, government, education and religion which has been handed down to us from proceeding generations. In reality it is the **measure** of our progress from the primitive man. This inheritance falls as the right of every citizen living within the confines of the country. The pioneering work of our forefathers and the inventive genius of scientists enabled mankind to devise and produce new machinery, etc. that can do work that was formerly done by man alone. The great original wealth known as our natural resources has in this way been brought to the very door of the individual consumer. Social Credit maintains that we each, as consumers, have a share in this production of natural resources. It should not be exploited by a handful of so called financiers. Social Credit claims that this is the property of the individuals who are bona fide citizens of our province or country and should never have been allow-

ed to be controlled by a handfull of men. In other words, cultural heritage is a legacy of the past, owned by the entire community, and being the principal factor in making it possible to produce wealth which could not otherwise have been done except for this accumulated knowledge, it affords us a perfect "moral" justification in claiming this wealth for the citizens to be divided up evenly in the form of dividends.

2. **Basic Dividends or National Dividends.**

The former term is used locally in a province, the latter for the whole Dominion. This dividend means the share that each citizen would receive out of the annual increase or profits of the cultural heritage. It would be paid from the Real Wealth directly attributable to the use of this inheritance. It is ours by right and should be sufficient to cover food, clothing and shelter. It is unreasonable to expect a province as large and as wealthy as Saskatchewan not to be able to support all its citizens with the bare necessities of life. A passbook will be given to each citizen and credit will be entered into it, corresponding to his share of the unearned increment of the business turnover. This dividend will be in addition to wages, profits, salaries and commissions.

All relief would at once disappear and the morale of our people would recover.

3. **Non-negotiable Certificates.**

These will be the form of the cheque currency that citizens will use. They will fill in the amount of the credit transfer, the name of the recipient, and sign their own name. They are called non-negotiable because they will only be used the once for a transfer of credit. They can not be endorsed like the present cheques. The National Credit House will know at all times the amount of credit in circulation. When these certificates are taken to the State Credit House, they will be credited to the recipient and debited to the issuer. The recipient will be able to issue another non-negiable certificate of his own and thus the circulation of the credit is carried on and debts are liquidated.

4. The Unearned Increment.

This means non-earned increase. There is an increment or increase in price that is not earned by the owner or producer of the goods, e. g. A man buys a lot in a favored position in a town or city for $100.00. He puts no improvements on it. His neighbors build large and attractive business places on both sides. The streets are paved, etc. Soon the neighboring lots are worth $1000.00. The middle lot must be worth the same. It's increased value is known as unearned increase. This applies to business in general.

A coal mine situated in southern Saskatchewan is of no value to the owner except for his own private needs. Soon twenty, forty, one hundred people flock in. A railroad is built and the market widens. As the market widens the coal increases in value. Thus the price of the coal beyond the actual cost of production depends upon the demand of the individuals in the community. If they had not been there, there would have been no demand. Neither the owner nor the worker is responsible for this increased price. It is an unearned increment which accrues from the association of people in a district. It also accrues from a scientific legacy handed down by our forefathers, our cultural heritage. Some would call it **Price Spread.**

5. Just Price.

(a) This is the ultimate price to the consumer. It is measured by the real cost of production. The real cost of production is consumption. Let us illustrate the real cost of a particular article. In the manufacturer of a radio, the destruction of the timber, the metal and glass, the wear and tear on tools and machinery, the food, clothing and shelter used up by those engaged in its production, these are physical costs in the manufacture. The totality of these physical costs consumed during the manufacture of a radio constitute its real cost. But prices include all financial charges. It will be seen therefore that there will always be a difference between total production and total consumption. The Just Price would therefore represent a fraction (mathematically determined) of its cost. It would be the ratio of total national consumption or impoverishment

(which includes people's goods sold retail, wear and tear, and exports) to the total national production or enrichment (which includes people's goods and business goods and imports) The other portion of the fraction would be the National Discount.

Compensating Price or National Discount—Just Price.

(b) To help make Consumption balance and control production, a compensating Price would be decreed by the National Credit Office from time to time. This compensating Price would be a scientifically controlled price and would be arrived at by multiplying the market price by the Total Consumption over the Total Production. In the following formula we have—

$$\text{Market Price} \times \frac{\text{Total Consumption}}{\text{Total Production}} = \text{Just Price}$$

This total consumption and production would be compiled by statisticians and the National Credit Commissioner would give out the exact fraction from time to time to the retailers. They would be reimbursed for their discount by the Credit Department in the same way that the National Dividends are distributed.

In addition, periodically a commission of our best experts from every sphere of life would be assembled for the purpose of deciding a fair rate of profit over and above the real cost of an article. It would be such as not to exploit the consumer. It would certainly be necessary to prevent corners on the market, a monopolistic control of an article or being in a favored position in a district. Excessive profits would then be done away with.

N.B. As this Just Price is important, an entire lesson with full explanations will be given.

Questions for Discussion

1. What is the Basic Premise of Social Credit?
2. Name the five principal terms of Social Credit.
3. (a) What do we mean by Cultural Heritage?
   (b) Why is it called Cultural?
   (c) Why have we a "moral" justification for claiming a share in the future increase?
4. (a) What do we mean by Basic Dividends?

(b) What do we mean by National Dividends?
(c) Would individual enterprise be stopped or stifled by receiving dividends?
(d) Would basic dividends have to be spent on the necessities of life alone?
(e) What would happen if Basic Dividends were squandered?

5. (a) What do we mean by non-negotiable certificates?
(b) Why could they not be endorsed like our present cheque currency?
(c) How do they function?

6. (a) What is meant by Unearned Increment? Give examples.
(b) What do we mean by the increment of association?
(c) What is Price Spread?
(d) How can you consider the terms "Cultural Heritage" and "Unearned increment" as being important in our study of Social Credit?

7. (a) What do we mean by National Discount---Just Price?
(b) What is another name for it?
(c) How is it arrived at?
(d) How would you prevent monopolies, etc. from taking advantage of the situation?

Lesson 8
PURCHASING POWER IN THE HANDS OF THE PEOPLE THE NATIONAL DISCOUNT

In lesson 5 we learned that the National Credit is the measure of a nation's ability to produce goods and services.

1. Three Methods to Equalize Consumption with Production.

We have seen that the production end has been increasing while the consumption end has been lagging as illustrated not only by the A plus B Theorem, but by actual everyday experience. We have our warehouses, and granaries filled to the roofs but there is a tremendous lack of purchasing power. There are three methods by which this difference can be brought about.

1. The prices must be reduced to an extent to meet the purchasing power that **is** available without loss to the retailer or manufacturer.

2. Purchasing power must be increased sufficiently to meet prices by issuing new credit in the form of dividends. (The former is the National Discount, the latter the National dividend)

3. A combination of the above two at the same time.

The third method would be preferable for the following reasons:

(a) By issuing a National Discount it would determine a scientifically reduced price---a just price. It would make good any loss that might fall on the seller.

(b) It would increase the consumer's purchasing power by the exact amount of the discount.

(c) It would not mean inflation because the exact amount of money (credit) would always keep abreast of the amount of production. Inflation is the indiscriminate printing of money without taking production into the picture at all.

The question now arises, how can we balance this purchasing power and production?

2. The National Credit Office.

(a) The following might be a plan for Canada. Our statistical department could compile the exact wealth of the Dominion and submit the information to a new department of the Government to be instituted, known as the National Credit Office. This new department would keep a proper account of the economic activities of the country, i. e. of its total production and consumption. It could also regulate the credit of the country by issuing or withdrawing money to keep pace with production.

At convenient intervals, e. g. quarterly, half yearly or yearly, the treasury could prepare a National Credit Budget.

DR.	
Impoverishment Millions	**$**
Consumption	
(a) Raw materials sold retail	$1100.
(b) Wear and tear of business equipment, (Depreciation).	200.
Exports (Real wealth lost by us)	200.
Total Impoverishment	$1500.
Balance carried down	500.
TOTAL	$2000.

CR.	
Enrichment Millions	**$**
Production	
Raw Materials	$1100.
Finished Products	700.
Imports (Real wealth received by us)	200.
TOTAL	$2000.
Balance brought down	500.

$$\text{Discount} = \frac{\text{Net Enrichment}}{\text{Total Enrichment}} = \frac{500}{2000} = 1/4 = 25\%.$$

(This is only an illustrative example, not actual figures.)

(b) From the above it will be easily seen that by subtracting the total consumption from the total production periodically, the resultant amount would represent the increase in our real Wealth. This increase would be the basis of the amount of credit issued by the country. It would be divided between a National Discount and a National Dividend. All retailers would then be authorized to allow a discount, say of 25%. An article priced at $100.00 would sell for $75.00. The retailer would not lose on the transaction because he would get his money in either of two ways—first, he could take his sale slip to the bank or State Credit House and get credit for the $25.00 (The state Credit House will charge it up to the credit of the country,) or the customer could pay the full amount and get a voucher and by presenting it to the Bank or State Credit house he would get a credit of $25.00 to his account. It will be readily seen that the consumer's buying power would be increased by 25%. Now the price of goods would be regulated in addition to prevent a corner, (like Patton on wheat) or a monopoly of any article, or

exploitation, because of a favoured position in a community, but generally the laws that govern prices in everyday economics today would prevail. There would still be competition to sell and business would largely depend on the quality of the goods and the service rendered by the salesmen and proprietors.

(c) The discounts would vary from time to time as the fractional equation of $\frac{\text{Net Enrichment}}{\text{Total Enrichment}}$ increased or decreased. Again let me emphasize that it would not mean a rise in prices because the credits issued to finance the Just Price would be issued only because a reduced price level was in operation.

(d) It is obvious that trade would boom, as indeed it ought to. Many would share in the discount and a great many more would share in increased employment. But what of those who are sick, or too old or have been displaced by new and improved methods of production such as power, machinery, etc? This will be discussed in the next lesson.

Questions for Discussion

1. What do we mean by National Credit?
2. What are the three methods by which Consumption can be made to balance Production?
3. What do we mean by a National Discount?
4. What are its advantages?
5. What relation would it be to a Just Price?
6. (a) What department in Canada would compile all the information necessary to set up total Production and Consumption?
   (b) Give it a suitable name.
7. Explain how the National Discount could be arrived at. Illustrate by fictitious figures.
8. (a) How would the National Discount operate?
   (b) Would the retailers or sellers lose the discount?
   (c) Who would make up this discount? See Lesson 10.
9. Would the discounts be always the same?

10 How would the National Discount operate to prevent a rise in prices?

Lesson 9

PURCHASING POWER IN THE HANDS OF THE PEOPLE

(continued)

THE NATIONAL DIVIDEND

INTRODUCTION

Poverty is unnecessary. We have solved the problem of **Production.** We live in an age of **Plenty.** Some time ago in one of the Western papers, a cartoon was shown depicting a very good illustration of the common situation as it exists today. It portrayed a large show window full of good things to eat and on the outside of the plate glass, a hungry multitude that could not get over the barrier. So near and yet so far! Now I am not insinuating that people are hungry today (we have relief—and that means more taxes), but people lack the purchasing power to buy the necessities of life.

1. Old Methods to make Consumption Balance Production.

Some economists of the old school would advocate the following to alleviate the conditions:

(a) Remove the surplus by export or sabotage (i. e. destroying the goods, as coffee into the Atlantic, killing hogs as they did in the States, etc.) This they claim would stimulate production to take the place of the goods destroyed, and new production means new wealth. But who pays for the goods destroyed? And to think also in this so called civilization of ours of destroying the Good Goods that God rightfully intended to be ours—with people that could consume more if given the chance!

(b) They also advocate bonusing the farmers, etc. to cut down production.

(c) Again they advocate an immense system of public works that would create employment. This would give purchasing power without creating more consumable goods. But where will we get the money to finance these public works? Our taxes are already high enough. Our debts are mounting continually and if we have to keep borrowing money for public works at high interest rates, we are just pyramiding our debts—borrowing money to pay interest. The crash is inevitable.

2. The New Method to Make Consumption Balance Production

There is only one remedy, by either issuing a National Discount (Just Price—explained in our previous lesson) supplemented by a National Dividend, or by fixing a Just Price on all commodities (this to be done by a group of experts) and issuing basic dividends to every bona fide citizen of the state, sufficient to give purchasing power for the necessities of life sufficient to cover their needs for food, clothing and shelter. This would not be based on work, nor paid from taxes, nor borrowed, but based on the unearned increment of Social Credit. It would be receivable by us as shareholders in Canada, Limited. The National Dividend would be an inherent right and would be ours because of the increment due in our country. It would come from the same source as the National Dividend. Its basis would be the real credit of the community and it would be derived from the increase of production over consumption.

This would be distributed through the Banks or State Credit Houses. Each month the amount of the Dividend would be entered in the Credit side of our ledger and entered also into our passbooks. We would then be able to pay for purchases by non-negotiable certificates ordering the transfer of credit to another. It would largely be a matter of bookkeeping.

3. Dividends would fluctuate.

Now the amount of the dividend would depend on two factors, first, the amount of real Credit in the community and, second, the population. Real Credit is based on the country's production and its imports, and on services desired by consumers. Naturally purchases made by National Dividends or by Social Credit Non-Negotiable Certificates would increase production to a certain point. It would stimulate trade, and trade would stimulate further production, and further production would increase our real credit and that would increase our dividends. Increased prosperity would encourage early marriages and larger families and that would have a bearing on the size of the dividend. Then too, if we adopted the system of the **National Discount—Just Price** along with the **National Dividend**—as our group of economists, experts and

accountants increased the one and decreased the other, or decreased the one and increased the other, in the first case we would have great industrial activity and luxury, and in the second case we would enjoy a life of leisure and simple plenty.

4. Dividends Extra to Ordinary Revenue.

Salaries, wages, commissions, fees, etc. would be in addition to the dividend. Private initiative would not be stifled. In fact it would be enhanced. The Dividends will be tax-free into perpetuity and would not be taken into consideration when making returns for taxation purposes.

5. Some Points in Connection with the Dividends.

(a) No citizen would be allowed to withdraw, of course, on his account without special arrangements for the same.

(b) These dividends would be paid to every bona fide citizen of the country and each would have full authority over them. In case of minors, the authority would necessarily be invested in their parents or guardians, but it would be used in the payments of their necessities of life.

(c) Anyone handicapped physically or mentally would be given a bonus dividend and these bonuses would be taken into consideration by our National Credit House and debited against our Real Credit so that there would not be any extra credit issued over goods produced, as outlined in Lesson 8.

(d) Naturally, to prevent exploitation of the country's resources, citizenship would be protected from unworthy individuals flocking in.

(e) No citizen would be allowed to barter away his dividends, thereby becoming a tramp or a drag on society. He, in getting his basic dividends, would be able to sustain himself and at once see how taxes **would be reduced** by removing all relief, all dole, all old age pensions, etc. from the expense side of the government ledger.

6. Taxes to be Reduced.

The government would raise taxes only for the carrying on of public works, road building, salaries, education and

improvements, and interest on borrowed money. But business would so improve that in no time, with the purchasing power of our people increasing, all government debts would soon be wiped out, leaving only current indebtedness to be met.

N.B. Eventually taxes would be eliminated entirely. They would be paid from the same source as the National Dividends. Of course the dividend would be reduced by an equal amount in the aggregate. (A business firm always pays its overhead first before it issues dividends).

Questions for Discussion

1. Name three methods by which economists of the old school would try to alleviate conditions. Explain them.
2. (a) What do we mean by a National Dividend?
   (b) How is it arrived at?
3. (a) To whom will these Basic Dividends be issued
   (b) On what basis will they be granted?
   (c) From what source will they come?
   (d) How will they be issued?
   (e) For how much will they be issued?
4. (a) Explain how the consumer will be able to use his dividend credit.
   (b) Will Dominion currency be used at all?
5. (a) How will we prevent large numbers from migrating into Canada to get these dividends?
   (b) What would happen if the majority of people or anyone refused to work?
6. How will these dividend credits help?
7. Suppose a citizen squanders his basic dividend and does not provide himself with food or clothing or shelter, what would be done?
   (a) What would be done for sick or mentally deranged people.
   (b) For young people.
   (c) For old men or women.
8. Could a husband squander his wife's dividend, or vice versa?
9. How would individual enterprise be encouraged under this system?
10. How will it help the government to reduce taxes?

Lesson 10

THE NECESSARY FLOW OF CREDIT
WHERE WILL ALL THE MONEY COME FROM

INTRODUCTION

It is stated that the flow of Credit is the Blood stream of the State.

Just as the blood flows to every part of the body, feeding clothing and sheltering every cell, so must credit flow to every individual and every productive enterprise of the state for the same purpose. Nothing must be allowed to interfere with this flow of Credit.

From our previous studies of banking we do know that the flow of finance is interfering with this flow of Credit. By granting overdrafts and loans this flow is speeded up and by calling in the loans, the flow of Credit is retarded.

1. The Invisible Government.

Over one hundred years ago Baron Rothchild made the assertion: "Give me the control of credit, and I care not who or what is the personel of your government." Too true! We realize the implications of the above quotation. The money barons are the invisible government and our elected representatives are mere puppets in the Punch and Judy show, mere pawns when it comes to considering any reform in the financial system.

2. Power of Financial Interests.

Again Financial Magnates have many interests, not only in the banking business but in the stock markets. It is easy enough to manipulate to make stock fall, to participate a crash and squeeze out the small holders and create an unusual feeling of uncertainty and fear. Then the banks start calling in the loans and refuse to re-issue new ones until money becomes exceedingly scarce. Mortgages are foreclosed, people lose their homes and are turned out on the street. Some have to take reduced salaries, others reduced wages and thousands are thrown out of employment. But if it were suggested that the interest rates be lowered—(the wages of capital) no! that is a sacred contract and must not be violated. If conversion of bonds to a lower rate of interest is suggested, that is repudiation and something to be deplored!

You see then that the financial interests are strongly intrenched and hope to hold their control regardless of the cost or the miseries that are passed on. Moreover they benefit both in a period of prosperity and in a period of depression. It is not only economically unsound but morally wrong.

It is therefore the business of the state to bring about a sane state of affairs where the **Flow of Credit** will equal the **Price Flow.**

3. Purchasing Power Must Equal Production.

As I pointed out in previous lessons the purchasing power distributed during a certain period of time must equal the total production available during that period. If that is not done, goods will pile up on our shelves and our granaries will overflow. I would like to point out that it is the amount of purchasing power that should be regulated, not the amount of goods. We should keep the exact ratio between production and consumption and see that the proper number of units are available to purchase the goods and services that are required by our people for any period of time..

Now the purchasing power is dependent on the amount of Real Credit available and the rate of flow of Credit.

6. Some Facts About Canadian Business.

Let us examine some facts and figures based on the present system even in spite of its discrepencies.

In 1930 the grand total of Internal Activities in Canada was $4,800,000,000 (official Hand Book 1933, Page 133). On page 130 we are told that the total imports into Canada in 1930 was $1,248,273,582. That makes a total of about $6,000,000,000.

The money in circulation in 1930 was:

money like [illegible] goes round and round

Dominion Notes		$174,616,015
Bank Notes		159,341,085
	TOTAL	$333,957,100

(Official Hand Book 1933, Page 155)

Thus we see that six billion dollars worth of business was done with $333,000,000 of currency. In other words $1 has $17 purchasing power. This proves beyond a doubt that 95% of our business is therefore transacted by credit. Do we require $6.000,000,000 of currency to transact the Nation's

1 bull dog can lick a poodle 10 minutes
10 hr. day have 600 minutes
[illegible] any day of week = 1 bull dog equal 21,900 poodles

business? Certainly not. Similarly we will not need much so called money to transact the business in each province in the future. Even now many banks are paying their salaries, etc. by the check-currency system. What is to prevent the system becoming general and doing not only 95% but 99% of our business! (It may be necessary to have small change for travellers etc. for convenience.) What does it matter what we call our unit of money or how it is used, as long as by exchanging credit we can buy the goods and services that are necessary for our convenience and comfort.

5. Saskatchewan's Population and Per Capita Wealth.

(a) Space does not permit of putting figures for all the provinces here. It can be proven that any province can supply its people with a stated amount of money sufficient to cover food, clothing and shelter and still have plenty over for individual enterprise.

In 1931 at the last Canadian Census, the population of Saskatchewan was:

Males 499.935

Females .... 421.850 TOTAL 921.785

The number under twenty was 425 per 1000. The total number of Saskatchewan's population over 20 would be about 550,000.

If each of these received say $25 a month, it would require $13,750,000 a month to feed, clothe and shelter all our people.

(b) Saskatchewan can care for all her citizens as we see by the statistics of tangible wealth given.

(i) Saskatchewan has a total wealth of $3,047,000,000 (9% of the total wealth of Canada) i. e. $3,516 per capita.

(ii) This is the third highest per capita wealth in the Dominion of Canada.

Br. Columbia has $4,474	Saskatchewan has 3,516
Alberta has 3,724	Ontario has 3,249

(c) If we made our per capita wealth produce 8%, each man, women and child would receive $25.00 without decreasing our per capita wealth.

(d) But this Flow of Credit would decrease the quantity of

credit required by at least 17 times, instead of requiring $165,000,000 for the year we would only need $9,705,880 for the Basic Dividends.

6. System of Levies.

The Province could raise the dividends either by creating Credit (explained fully in next lesson) or by introducing a system of levies as advocated by Premier Aberhart in his Social Credit Manual. He states that levies would be raised on all goods produced. Prices would not be increased to the consumer, but rather they would be fixed by a group of experts and decreased. Also the prices would be increased to the producer to cover the cost of production and a fair profit. **The levy would come out of the Price Spread.** The increased turnover would make up for any loss of profit to Big Business.

Questions for Discussion

1. Compare the flow of Credit with the Blood Stream of the State.
2. Discuss the statement: "Money Barons are the invisible government."
3. What is the effect of calling in money? Discuss.
4. (a) What principles of equilibrium must the state maintain?
   (b) What would be the result of failure?
5. (a) Is our present difficulty brought about by the scarcity of money or the scarcity of credit? Discuss.
   (b) Upon what two factors is the purchasing power dependent?
6. Illustrate the flow of Credit by using Canadian Statistics for 1930.
7. Show how Saskatchewan or Manitoba etc. could take care of all its citizens.
8. (a) Allowing for the flow of Credit, how much would be needed?
   How would you arrive at the figures?
9. Explain one method by which the money could be raised.
   (b) Who would pay the levy?
   (c) How would Big Business benefit?

Lesson 11

THE FLOW OF CREDIT (cont'd)

or

WHERE WILL THE MONEY COME FROM

1. Banks Create Credit.

Up to this point we have discovered that money has no particular value in itself. (Lesson 3) We have also discovered, from the previous lesson, that in actual practice today one dollar does the work of seventeen. We use a check—currency system and a large number of our transactions are done without the exchange of any money. Indeed about 95% of the business of the country is carried on in that manner.

In Lessons 2 and 3 we studied Banks and Banking, and discovered that bank deposits are largely fictitious. The man who goes to the bank and borrows $10,000 immediately creates on the other side of the ledger a deposit of $10,000. The fact that he deposits collateral does not make any difference. In actual practice the bonds and securities are locked up in the vaults. But the moment he draws bank notes or check-currency he is adding new currency to the country. Where does this currency come from? It is the financial credit and comes from nowhere. It is really our own Real Credit usurped by the Banks.

2. The Nation to Create the Credit.

We have seen that legislatures have conferred upon our banking system in Canada a power greater than that enjoyed by any other business enterprise, namely, the sole right to create money. This cannot be disputed. In the McKenna statement quoted by Douglas, it says: "Every bank loan and every purchase of securities by a bank creates a deposit, and the withdrawal of every bank loan, and the sale of securities by a bank destroys a deposit." Virtually, by the stroke of a pen, the banks create money and destroy it. Similarly, our National Credit Bureau on the advice of the government could create the necessary credit to do the country's business without inflation or deflation. It will be necessary to do one thing only, take away from the banks for all time the POWER TO CREATE CREDIT and place that power in the hands of the Government.

3. The Function of the National Credit Office.

(a) The National Credit Office which has access to all the monthly returns both in production and consumption throughout the country, and knows the exact amount of total buying power at any moment of the day in the form of wages, salaries, commissions, fees, etc., and also knows the exact average amount of new wealth in the form of goods that is produced in the same moment (taking the average for the period and dividing by the days, hours, etc.) can tell exactly the amount of credit (money, if you will) that would be needed to be put in circulation during that period.

(b) Now they would open up a Credit on the Credit side of the National Ledger. This Credit would **not** be raised by **taxation,** nor would it be floated and backed by borrowings, like **Liberty Bonds.** It is literally to be **created.** It would be **new money brought into circulation, representing the Real Wealth of the Nation.** It is no longer a dollar bill question, it is a non-negotiable certificate question, a transfer of credit like the check-currency question. It has authority like the banks to create this new medium on the Credit of the community. But behind the authority of the National Credit account is the Real Wealth of the community. The backing would not be gold, but the computed increased power to produce Goods and Services which the people need for a higher standard of living. The creation of credit is not causing a loss to any class in the community. It is not taking anything from anybody, it would be helping everybody.

(c) When the Basic Dividends were transferred by non-negotiable certificates to pay a debt for food, clothing or shelter, these certificates would be brought across and entered in the Debtor side of the National Credit Ledger. The Debt would be wiped off and the function of the credit slip would be complete and the slip would go out of circulation.

4. Sample of National Credit Ledger.

The following might be a sample of the national Credit Ledger, period January 1 to March 31, any year.

NATIONAL CREDIT LEDGER

Dr.	Credits Used Up			Credits Created Cr.	
Jan. 31	Dividends	25,000,000	Jan. 1	Credit deposited	225,000,000
	Retail Disbursements (disc'ts)	50,000,000			
Feb. 28	Dividends	25,000,000			
	Retail Disburs'mts	50,000,000			
Mar 31	Dividends	25,000,000			
	Retail Disburs'mts	50,000,000		Balance brought down	
TOTAL	Paid Out	225,000,000	TOTAL	Created	225,000,000

5. Credits Created for one Specific Purpose.

The discounts and dividends would use up the credit for the period and a new credit would be issued for the next three months according to the new ratio of production to consumption. Thus an exact amount of credit tickets would always be in circulation to balance consumption with production. As the Dean of Canterbury would illustrate: We have a theatre with four hundred seats, we use four hundred tickets. We put in two hundred more seats for a special evening. We create two hundred more tickets (no more, no less) and they are used for that evening. Next night we go back to four hundred seats. We destroy two hundred tickets (you will note the tickets are used for one specific purpose.) Similarly, the non-negotiable certificate (ticket) is used for one specific purpose—a transfer of credit and the function is complete. But there has also been an exchange of goods—consumption at last has been solved!

N. B.—Review Lesson 2, 3, and 5 along with the above.

Questions for Discussion

1. (a) What percent of the business of the country is carried on by check currency? Why are checks used in preference to cash?
   (b) Would Social Credit need to change the habits of the people to any extent?
   (c) The National Dividend paid by non-negotiable certificates is a matter of bookkeeping. Discuss.

2. How does all money get into circulation? (By loans) Discuss.
3. Banks create new wealth. How do they do it?
4. (a) Where would the credit come from to finance the Naal Discount and the National Dividend?
   (b) Would it be floated by bonds? paid by taxes? Would it harm any class or individuals?
5. How would the credit be destroyed?
6. What is the first big step a Government should take before instituting Social Credit? Why?

Lesson 12

THE INTRODUCTION OF SOCIAL CREDIT AS A WORKABLE SYSTEM

From the preceding lessons we are now in a position to realize that the Control of Credit under the present system which is in reality a monopoly of the financial system, controls human lives and human destinies and unless this control is broken we will never have true freedom in Canada. The banking system as explained in Lesson 2 drives a hard bargain. It metes out Rewards for those who participate in Production and it gives punishment to those who fail to participate, even though the opportunity is denied no matter how strong their wish is to take part in production.

1. As a Tentative Program we Propose Therefore:

(a) To restore the control of currency and credit to the people with the government acting as trustee and administering the National Credit for the entire country as consumers.

(b) To establish Branch Credit Houses in every centre where necessity demands that a local community require banking privileges.

(c) If necessary, to incorporate our own provincial Banks. This may be necessary as a first step to get Social Credit under way until such time as it is adopted by the Dominion of Canada as a whole.

(d) To institute a Just Price on all commodities either,
   (a) by the National Discount, or
   (b) by a group of experts.

(e) To dispense a National Dividend.

(f) To trade with other countries on a complementary basis. This would create a friendly feeling among nations and thus do away with the principal cause of wars,—the feverish strife for markets to dispose of our surplus goods, so that we can produce more to put more money into circulation. We would only trade our surplus for their surplus.

(g) Monetary reform—to dispense with (the old yardstick, gold) entirely. We are aware that a so called gold dollar could buy so much wheat in 1929, and that today it can buy three times as much wheat, etc. In other words it shows the fluctuations of the dollar as discussed in Lesson 3. When the prices level rises, the purchasing power of each unit of money goes down—when the prices go down, the purchasing power of the dollar goes up. We therefore propose to use either the average price of say forty basic natural raw commodities fixed by arbitration by our group of experts or use the **ratio** as the only accurate measure of value. We need not postulate anything about the unit until we establish the ratio, except that it is the same unit. The ratio can be established by the same method as arriving at the Just Price. Credit is convertable into money. It does not matter what unit we decide on as long as by giving up certain units we can exchange them for all the goods and services that society can produce in a certain period of time.

(h) To substantially reduce interest rates:

(i) To greatly reduce taxes, this of course will follow as Social Credit becomes an established system.

(j) To institute productive loans and crop insurance.

2. To Introduce Social Credit three steps should be taken.

(a) All bona fide citizens should be registered, showing age, residence and ability.

(b) Branch Credit Houses or a Provincial Bank should be established in various centres.

(e) All our provinces are burdened with tremendous debts (a legacy from the past.) These debts should be liqui-

dated as far as possible by a sale of Provincial Bonds to our own bona fide citizens. (Social Credit does not propose to default on any past capital loans but there will be a strict scrutiny placed on all exorbitant interest rates with a sensible reduction to fair rate.) We do not belive in pyramiding our debts by borrowing money to pay the interest.

3. The Perfect Cycle Credit.

It will be begun in three ways:

(a) Credit loans will be granted to all bona fide citizens upon furnishing satisfactory evidence of good faith and efficient ability.

(i) To secure plant equipment for production or distribution of goods (1) these loans will call for continuous payment as long as the plant is fit for use. The amount of the payment will depend on the durability of the equipment. (2) This amount will constitute the unearned increment of capital equipment and will be collected also from existing plants.

(ii) To assist in carrying on Production, i. e. Productive loans. (1) These will be used to pay salaries, wages, commissions, etc. necessary in production and for no other reason. (2) Productive loans will be refunded from year to year as the goods are sold. (3) In case of crop failure or destruction the loss will be covered by insurance. This will be covered by the automatic price control. The amount of payments to cover these loans will be charged to the Just Price of products.

4. (b) **The National Discount—Just Price** will be inaugurated, thus increasing the purchasing power of the consumers as this is a scientifically Just Price as figured in Lesson 8. The Consumers will then have added purchasing power to buy other goods by the amount of discount determined upon by the National Credit Bureau.

N.B. It might be the policy of the National Credit Bureau to dispense with the National Discount and make up the difference between Consumption and Production with the Basic or National Dividends. In that

case the Just Price will be determined by a group of experts, economists, business men, farmers, etc. A price on all articles will be fixed—this will cover the actual cost of the article plus all charges, plus a fair rate of profit It could include any levy the govvernment wished to make in the form of indirect taxes.

(e) **Basic or National Dividends** will be issued to all bona fide cititzens sufficient to cover the bare necessities of life, i. e. food, clothing and shelter. The Dividends might increase from year to year as production and consumption increased.
   (i) These dividends are not loans, but will be granted outright without repayment.
   (ii) Lack of respectibility or immoral character might result in a suspension.
   (iii) They will be paid monthly.

Questions for Discussion

1. (a) What propositions are proposed in the introduction of Social Credit?
   (b) Discuss each in turn.
   (c) Which would be applicable to the Province and which to the Dominion?
2. Name three steps in the introduction of Social Credit.
3. Why should we register all bona fide citizens? Give as many reasons as you can.
4. Would there be any advantage in incorporating a Bank?
5. (a) Why should Branch Credit Houses be established in many centres?
   (b) Should there be a limit to the number of houses?
6. (a) Why should we try and liquidate our provincial debts?
   (b) How could we do it?
   (c) Would the purchase of government bonds be compulsory?
   (d) What would be the alternative? Why?
7. In what three ways would the perfect cycle be begun?
8. (a) How would plant equipment loans be repaid?
   (b) How and when would productive and distributive loans be repaid?
9. Where would the producer get the money to pay for the loan charges?

10. Would Basic Dividends or National Dividends have to be repaid? Give two reasons for suspension or withdrawal of Dividends.
11. (a) How great would the Dividends be? Would they vary in size?
12. (a) How often would they be given?
    (b) What would happen if a citizen squandered his Dividend?

Lesson 13

THE B.N.A. ACT AND SOCIAL CREDIT

1. Will the use of the Non-Negotiable Certificate by a Province violate the B.N.A. Act?

In order to answer the question whether a province could institue Social Credit it will be necessary to examine that part of the B.N.A. Act that critics claim might be violated in so doing. I refer to Clause 138, Chapter 12, Page 72. First I shall quote sections 1 and 4 which is all that is necessary.

(1) "Every person except a bank which this act applies to, who issues or reissues, makes, draws or endorses any bill, bond or note, check, or other instrument intended to circulate as money or to be used as a substitute for money, for any amount whatsoever, shall incur a penalty of four hundred dollars.

(4) "If any such instrument is made for the payment of a less sum than twenty dollars and is payable either in form or in fact to the bearer thereof, or at sight, or on demand, or at less than thirty days thereafter, or is overdue, or is in any way calculated or designed for circulation or as a substitute for money the intention to pass the same as money shall be presumed unless such instrument is—

(a) "A check on some chartered bank, paid by the maker directly to his immediate creditor, or

(b) "A promissory note, bill of exchange, bond or other undertaking for the payment of money made or delivered by the maker thereof to his immediate creditor, and

((c) "Not designed to circulate as money or as a substitute for money."

When we read clause (1) we will see at once that a non-negotiable certificate is not designed to circulate as money. It is merely an acknowledgment of debt and would be used only as a transfer of credit. It would be asking the State Credit House to make the proper entry in a book for the transfer of the credit. It would not be carried in the pocket of the recipient and endorsed to someone else to be re-indorsed and pay debts along the line. It would have one function only—an acknowledgment of debt.

Then in section (4) we find three exceptions, (1) the check, (2) ordinary commercial paper between individuals, etc. acknowledging debt such as notes, bills of exchange, bonds (government debts) and (3) not designed to circulate as money such as an I.O.U. A non-negotiable certificate is merely an I.O.U. and acknowledges debt the same.

2. Authority for Deposits.

In addition, certain provincial governments have the authority now to receive deposits from the citizens on Saving Certificates. There is therefore no need for further authority to make deposits in a State Credit House.

3. Authority not Designated in the Act.

So much for the specific sections of clause 138. But what of the authority not designated in the Act? It says that where certain things are not specified except in

(1) 'When the subject, in its origin, local and provincial, has attained such dimensions as to effect the body politic of the Dominion';

(2) 'When in a time of extraordinary peril to the national life, such as war, Dominion legislation is supreme'—either the Dominion or the Province will have the jurisdiction, whichever takes it up first. Has Social Credit ever been placed on the statute books? It deals with a new way of looking at unemployment and poverty amidst plenty.

It deals with an increased purchasing power among the people. Is there anyone who will say that it would affect either of the two above clauses? Rather it is a deterrent to war. When we have plenty at home there will be no further need for this feverish haste to expand, to find new markets to dump our goods to get rid of them (to have the so called fa-

vourable balance of trade so that our workers will be kept busy making new goods to earn more wages to buy more goods.) Social Credit hits at the very root of the cause of wars and if every country introduced Social Credit we would trade our surplus (if any) for something the other country had which it could produce to advantage and might have a surplus of. A kind of complementary trade would spring up and all nations would be happy. The Provinces should take up Social Credit first. Any reform should come from the smaller unit to the larger unit—instead of the larger unit forcing its ideas on the smaller units. That is British Justice and Fair Play. It is a provincial issue because a province took it up first to regulate her own internal "trades." The Dominion parliament does not legislate upon wages, hours of labor, working conditions, employment, agreements, etc. except in projects under its own jurisdiction. The general authority rests in the provincial legislature.

4. Social Credit Means a new Policy.

Social Credit does not violate any clause of the Act. In the control of Industry and Resources, etc. the individual is supreme. Social Credit will not change the ways of doing business. Private initiative will be as it is now. Profits will be the rule and not the exception. Nothing will be changed—there will be no restraint of trade. Only one major change will take place. Take the control of Credit out of the hands of the Banks and place it in the hands of the people. It will not be a nationalization of the banks in that sense of the word. That is only shifting the administration of Credit from one control to another. But change the Policy. Nationalization of Credit is alright and should take place but it does not go far enough. The government would only in that case lend money for production, etc. instead of the Banks. I repeat change the **Policy**. Give **Credit** to the Consumer in the form of new purchasing power—that is an entirely different thing!

5. Difficulties in the Way of the Provinces.

Despite the fact that I said that a province should take it up first for educational reasons, and that reform should go from the smaller unit to the larger, and also despite the fact that certain clauses of the B.N.A. Act would not be violated by its introduction into any province, I wish to state here in all

sincerity that Social Credit as outlined in these lessons could be instituted in the Dominion easier than in the province. The chief reason is that the provinces do not control the Banks and Credit. Nationalization of Credit could not take place until Social Credit was adopted by the Dominion of Canada as a whole.

No doubt the Banks will make it hard to institute Social Credit in any province. They will fight us to the last. We know they control the Credit of the country and any province that starts to issue Basic Dividends to make up the difference between Production and Consumption may find the Banks flooding the country with loans and cheap money in order to kill Social Credit. (The two systems cannot work together.) The only thing the province could do in that case would be to put such a prohibitive business tax on the Banks that they would close their doors and leave the province to work out its own salvation in peace. We would have our own provincial Bank or State Credit Houses to do business. Social Credit will work if we go about it right!

Questions for Discussion

1. What is the general idea that the public holds regarding Social Credit and the B.N.A. Act?
2. What is the law regarding cheques, etc. to be circulated or designed to be used as money?
3. Would the non-negotiable certificate violate that clause? Why?
4. How would the introduction of Social Credit prevent war?
5. Would Social Credit introduced in a province hurt interprovincial trade?
6. What does Social Credit propose to change?
7. What is the difference between Policy and administration as applied to Government Control of Credit?
8. What will be the greatest stumbling block for the provinces when they institute Social Credit? Why?

Lesson 14

A SHORT HISTORY of THE SOCIAL CREDIT MOVEMENT

There are three outstanding Political Economists, Adam Smith, Karl Marx, and Major Douglas.

Adam Smith laid the foundation for Capitalism; Karl Marx for Communism; and Major Douglas for economic democracy. (Current History, May 1933)

Major Douglas, a brilliant engineer, began his career in India in the early part of the century in charge of the Westinghouse interests. Everything he undertook he handled with precision, but he found that financial difficulties impeded his work more than the physical realities.

The controller General of India, who was his friend, often used to dwell on financial anomolies. Sometimes his remarks were concluded by saying that gold and silver had very little to do with the industrial situation but "Credit" had everything to do with it. This gave Mr. Douglas' mind a focus that he has never lost.

Mr. Douglas first wrote his articles in the English Review, then in the "New Age" a London Weekly edited by Mr. A. R. Orage.

Mr. Douglas was ably assisted by Mr. Orage and together they spent many years trying to get the Social Credit scheme considered and adopted. In 1920 Mr. Douglas wrote his Economic Democracy and in 1921 he wrote his Credit Power and Democracy.

However his first attempt failed. The British Labour Party presented a report which is worth inserting "We are convinced that Bank Credits are one of the main constituents of selling prices, and that no final solution of the problem is possible that does not bring the issue of credit and the fixing of Selling Prices under the community's control."

The second period of the movement was from 1922 to 1930. During that time two other books—Distribution of Production (1922) and Social Credit (1924) came from Mr. Douglas' prolific pen.

In 1930 Mr. Douglas appeared before Lord MacMillan's committee of Finance and Industry. Since that time Mr. Douglas' ideas have been discussed in intelligent circles everywhere.

To-day Social Credit ideas have spread into many communities. Over 10,000 Englishmen, many of them Britain's keenest minds are convinced that Social Credit is the only way out of the present difficulties.

There are Social Credit groups in South Africa, New Zealand and Australia. In Australia alone there are 1000 societies with a membership of 100,000. In 1921 Professor Irvine, holding the economic chair in the University of Sydney set Douglas' Economic Democracy as the honour subject in economics.

The movement is growing rapidly in Canada and the United States.

In 1933 Mr. Wm. Aberhart, a high school principal in Calgary, tried to get the various political parties in Alberta in turn to endorse Social Credit and make it a plank in their party platforms. The various parties turned it down and Mr. Aberhart proceeded to organize Social Credit groups all over Alberta. The movement became so strong that they put candidates into all the constituencies and swept the province in the provincial elections in July, 1935, taking all seats except seven.

In October of the same year in the Federal election 17 Social Creditors were elected to go to Ottawa—two from Sask. and 15 from Alberta. Mr. Blackmore was chosen as the Federal leader.

The system has not been tried out as yet but Mr. Aberhart has promised to have it well under way in 18 months.

We realize the tremendous difficulties confronting the provinces in instituting Social Credit. First the tremendous debt burdens with the high rates of interest, second the Dominion jurisdiction over the Control of Currency and Credit, and third the fight the financiers themselves will put up before they relinquish control of their bonanza.

Let us hope and pray that broad minded statesmen and others will put nothing in the way of this Christian Movement and may the day soon come that Social Credit will be an accomplished fact throughout the Dominion of Canada.

Questions for Discussion

1. Who were the three great economists?
2. Give a short resume of the life and writings of Major Douglas.
3. Who was Mr. Orage?
4. How has the movement grown?
5. Who is Mr. Wm. Aberhart? What has he accomplished?
6. What obstacles are in the Provinces' way to institute S.C.? Discuss.

REFERENCE BOOKS

FOR SUPPLEMENTARY READING

Post War Banking Policy	Rt. Hon. Reg. McKenna
The Wrecking of a Scientific Age	Arthur Brenton
The A Plus B Theorem	H. W. N.
Money vs Man	Soddy
The National Dividend Symposium—by 16 Public Men	W. Ward
Men and Machines	Stewart Chase
Sanity of Social Credit	Maurice Colbourne
Monopoly of Credit	Douglas
Economic Democracy	Douglas
Economic Nationalism	Colbourne
ABC of Social Credit	Holter
Social Credit for Canada	Tutte
From Debt to Prosperity	J. Crate Larkin
Real Wealth and Financial Poverty	Capt. W. Adams
Social Credit Manual	Wm. Aberhart

DATE DUE SLIP
DATE DUE SLIP

RETURN	
Due Ruth JAN 26 '94	
RETURN JAN	
RUTH MAR 1 8 '95	
MAR RETURN	
RUTH APR 1 7 '95	
APR 0 4 RETURN	
Due Ruth FEB 25 96	
JAN RETURN	
APR 9 1997	

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